



Catalysing off-grid energy market growth



Results Based Financing: De-risking commercial investments for energy access in remote areas.

While vast numbers of people in developing countries expect to remain off-grid for the coming decades, innovative financing mechanisms are needed to accelerate and scale the dissemination of solutions that bring access to energy to those who need it most, while contributing to climate change mitigation. SNV is among the first organizations world-wide successfully implementing Results Based Financing (RBF) facilities in the off-grid energy sector, aimed at overcoming market barriers constraining private sector delivery of modern energy services to isolated communities. The key feature of RBF is payment upon delivery, with the private sector expected to take the full risk until the moment of delivery of the contracted results.

Private sector involvement is essential if we are to reach the Sustainable Development Goal of affordable and clean energy for all. However, companies often face increased risks and challenges to successfully operate their business in developing countries, and particularly to scale their operations in new off-grid markets. By providing a temporary financial incentive to companies to deliver certain energy products and services in off-grid communities, the RBF leverages investments from the private sector to increase access to clean energy in

remote areas. As the market develops and economies of scale are achieved, the level of incentive is reduced. RBF provides flexibility for the private sector to work with different business models, supporting the development of sustainable markets which will continue to grow once the incentives have come to an end.

Supported by different donors and partners including the Energising Development (EnDev) programme, DFID, AFD, EU, World Bank and IFC Lighting Africa, SNV is involved in the implementation of RBF facilities in different renewable energy sub-sectors and markets across Africa and Asia. Examples include the application of RBF for solar market development in Tanzania, Kenya and Mozambique, market acceleration of advanced clean cookstoves in Cambodia, Vietnam, Laos, Kenya and Mozambique, and RBF incentives contributing to self-sustaining biogas markets in Vietnam, Uganda and Kenya.

Kenya Off-Grid Solar Access Project (KOSAP)

The Kenya Off-Grid Solar Access Project (KOSAP) is a flagship project of the Ministry of Energy in Kenya, financed by the World Bank, aimed at providing electricity and clean cooking solutions in the remote, low density, and traditionally under-served areas of the country. The project is part of the government's commitment to provide universal access to electricity in Kenya by 2022 as well as creating the impetus for growth in achieving Vision 2030.

The Results-based Financing (RBF) and Debt Facilities have been established under Component 2 of KOSAP to provide incentives to private sector companies to establish operations and to sell solar and clean cooking solutions in the under-served counties of Kenya. Under this component, the project aims to deliver 250,000 stand-alone solar home systems, and 150,000 higher tier clean cooking solutions, at household level. KOSAP offers the private sector access to 48M USD in funding, of which 30M USD debt capital and 18M USD as RBF grants. SNV in partnership with SunFunder Inc. are the Facilities Managers.

BRILHO Energy Africa Programme

BRILHO is a five-year programme (2019 - 2024) that will catalyse Mozambique's off-grid energy market. The 22.8 million GBP programme is funded by the British Department for International Development (DfID). BRILHO's overall goal is to improve and increase energy access for people and businesses, leading to money saving, better well-being and livelihood opportunities for the low income population. BRILHO will target three areas of energy need in Mozambique, namely improved cooking solutions, solar home systems and mini-grids.

The programme offers selected companies a unique mix of structured non-reimbursable funding (Catalytic Grants and Results Based Financing) and specialised technical assistance, to de-risk business initiatives that aim to achieve competitive commercial returns and provide off-grid energy solutions to low-income markets. Alongside, BRILHO supports the sector ecosystem development by improving access to information, setting quality benchmarks and advocating for a better regulatory framework.

SNV is leading the implementation of BRILHO, with Practical Action Consulting (PAC), MARGE as partners, and GreenLight and Catalyst as a service providers.

BRILHO is committed to achieving the goals of the Energy Africa Compact for Mozambique and is expected to increase energy access for 1.5 million people.

Results-Based Financing (RBF) for Pico-Solar Market Development

In collaboration with Energizing Development (EnDev) and DFID, SNV is establishing a market for Pico PV technologies in the rural areas of Tanzania's Lake Zone and Central Zone. The project aims to improve market access to and use of quality pico-solar devices for rural and off-grid households. Central to the programme is a RBF facility.

The RBF facility focuses on the application of a temporary financial product in mainstream banking that serves to assist the private sector in developing the market for pico-solar products (lanterns, phone chargers and small solar home lighting kits) in rural areas of Tanzania. Between 2014 and the end of 2018, the RBF fund has leveraged €13M of private investments which created 1,256 jobs and access to energy products and services for 390,000 people who did not have such access before.

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